

PIC takes a stand on audit independence

By [Ann Crotty](#)

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The Public Investment Corporation (PIC), the largest investor on the JSE, is questioning the independence of Pick n Pay Stores director Hugh Herman.

Herman has been on the Pick n Pay Stores board for 39 years and the PIC believes this raises questions about his independence and ability to serve on the audit committee.

The Companies Act and the JSE require audit committee members to be independent.

The PIC, which holds 7.56% of Pick n Pay Stores, also says Herman should not be the lead independent director because of his prolonged tenure.



Hugh Herman.
Photographer: Len Kumlalo

At Pick n Pay Holdings, Rene de Wet has been on the board for 34 years and is still considered independent and appropriate to chair the audit committee. Image source: [BDive](#)

Other long-serving directors claiming to be independent and singled out by the PIC in its recently released proxy voting report include Len Konar, who continues to be regarded as an independent director after 20 years at Illovo Sugar and is on the audit committee. AA Raath, who has been on the Mediclinic board for 19 years, was re-appointed to the company's audit and risk committee last year. At The Foschini Group, SE Abrahams was appointed to the audit committee although he has been on the board for 17 years.

At the annual general meetings of each of these companies, the PIC voted against the appointment to the audit committees of the named directors.

There is no hard-and-fast link between board tenure and independence. However, anything after nine to 10 years is generally regarded as giving rise to concerns about independence.

The King 3 code of corporate governance talks about nine years, while the draft King 4 is nonprescriptive, but urges companies to review the situation annually. In the European Union, the cut-off is about 10 years. Remuneration policies that provide inadequate disclosure and are too generous also raised the ire of the PIC.

The fees paid to Illovo Sugar's departing chairman were described as "excessive" by the PIC, which hopes the incoming chairman's fees will be lower, in line with the proposal.

Two resolutions at Accelerate Property Fund were opposed by the PIC. The remuneration policy was deemed inconsistent with best practice as there were no key performance indicators, targets or weightings. And the fees paid to chairman Tito Mboweni were considered too excessive to warrant approval.

The 100% increase in bonuses paid to the CEO and executives at Pick n Pay was considered unacceptable in light of the company's performance.

The remuneration policies of Advtech, Investec, Lewis, Vukile Property Fund, Telkom and Foschini all warranted a negative

vote from the PIC. At Steinhoff's shareholder meeting called to approve the transfer of its primary listing to Frankfurt, the PIC, which holds 11.38%, voted against the move offshore.

Source: Business Day

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